

CITY OF INDIANOLA

General and Statistical Information

**Financial Statements and Supplemental Information
(With Independent Auditor's Report Thereon)**

**Independent Auditor's Report on Compliance
and Internal Control over Financial Reporting**

Schedule of Findings

Year Ended June 30, 2014



Shull
and Co. P.C.
certified public accountants

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Independent Auditor's Report on Internal Control over

Financial Reporting and on Compliance and Other Matters

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CITY OF INDIANOLA
Chief Accounting Officer's Report

March 1, 2015

To the Honorable Mayor, Members of the Council, and Citizens of the City of Indianola,

This comprehensive annual financial report consists of management's representations concerning the finances of the City of Indianola. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Indianola has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Indianola's financial statements. Because the cost of internal controls should not outweigh their benefits, the City of Indianola's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Indianola's financial statements have been audited by Shull & Co., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Indianola for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Indianola's financial statements for the fiscal year ended June 30, 2014 are fairly presented. The independent auditor's report is presented as the first component of the financial section of this report.

Rules promulgated by the Iowa State Auditor's Office require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Indianola's MD&A can be found immediately following the statistical section of this report.

Profile of the Government

The City of Indianola, incorporated in 1864, is the county seat of Warren County and is located in the central part of Iowa approximately 17 miles south of the state capital, Des Moines. Indianola is considered part of the Des Moines MSA, one of the top growth areas in the state. The City of Indianola encompasses an area of approximately nine square miles and a population of 14,782. The City of Indianola is empowered to levy a property tax on real properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

City Council: The City of Indianola operates under a mayor-council form of government. Policy-making and legislative authority are vested in a governing body consisting of the mayor and six council members. The city council is responsible, among other things, for passing ordinances; adopting the budget; appointing commission and committee members; and, hiring the government's manager. The government's manager, whose duties are set by local ordinance, is responsible for carrying out the policies of the city council; overseeing day-to-day operations; and, appointing the employees of the various departments for the governmental functions under the management control of the governing council. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three of the members elected every two years. Four council members are elected by districts or wards while the two remaining council members and the mayor are elected at large. The mayor is elected to serve a four-year term.

The City of Indianola provides a full range of services, including police and fire protection; ambulance service; the construction and maintenance of highways, streets, and other infrastructure; recycling and organic material removal; and recreational activities and cultural events. The City of Indianola also operates a water pollution control (sewer) department as a utility under the management and control of the city council. The city participates in several non-related jointly governed organizations that provide goods or services including the South Central Iowa Landfill Agency, the Central Iowa Regional Transportation Alliance, the Marion/Warren County Drug Task Force, and the Community Athletic Facility.

Board of Trustees: The City of Indianola provides electric, water and telecommunications services as a discretely reported component unit under the management and control of a board of trustees. The board operates these three utilities as Indianola Municipal Utilities (IMU). The authority for management and control of each utility was established by a majority vote of the electorate as provided in the Iowa Code. The trustees are vested with the authorities of the city in relation to these utilities with the exceptions that the board may not: certify taxes to be levied; pass ordinances or amendments; or, issue general obligation or special assessment bonds. Real property is held in the name of the city; however, the utility board has all the powers and authorities of the city with respect to the acquisition or disposition of such property and the management, control, and operation associated with said property is subject to provisions of any outstanding obligations which are payable from the revenues of the city utility. Separate funds are maintained for each utility and operating budgets are subject to final approval by the city council. Utility fund balances deemed by the board of trustees to be in excess of the needs of a utility may be transferred to the city's general fund or other city funds as approved by the city council.

Five trustees serve staggered six-year terms and are appointed by the mayor and approved by the city council. The board of trustees appoints a general manager to oversee the day-to-day management of the electric, water and telecommunications utilities. The general manager appoints the employees of each of these utilities; carries out the policies of the board of trustees; and, performs other duties as determined by resolution of the board.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

Other officials: The director of finance and administrative services serves as the chief accounting officer for all city services and submits the budget and year-end financial reports required of the city. The director of finance and administrative services has other financial duties and the city clerk has custodial duties as prescribed in Iowa Code, local ordinances, board resolutions, and by management discretion. An appointed treasurer serves as custodian for all funds. An attorney is also appointed to represent the city, its boards, and its commissions and performs certain functions prescribed in local ordinances and in the Iowa Code.

Budgeting process: The annual budget serves as the foundation for the City of Indianola's financial planning and control. The budget process, in general, is as follows:

- The city council sets its budget objectives and reviews major known factors.
- The city manager and the general manager each submit 5-year capital improvement project budgets to the respective managing authority for review and adoption.
- Departments submit operating budget requests to the city manager or general manager as appropriate.
- The city manager and the general manager compile their respective annual budgets for review. Budgets are prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police).
- The board of trustees adopts budgets for the electric, water and telecommunications utilities. These are compiled with governmental services and sewer utility budgets and are provided to the public by publication.
- The city council sets and conducts a public hearing on the budget.
- The city council adopts the budget and the budget is filed with the county auditor and the State of Iowa no later than March 15 of each year.

The State of Iowa limits expenditures to the total amount budgeted by function. Expenditures for individual departments, services or line items may exceed those budgeted as long as total expenditures by function are not exceeded. Budget amendments are permitted under provisions similar to the adoption of the original budget. In this report, the current year's budget is compared to the actual expenses by function.

Cash management policies and practices: The city annually reviews and adopts an investment policy outlining the roles and responsibilities in making investments using available cash balances. The director of finance and administrative services and the treasurer are jointly responsible for the investment of funds with oversight by the council and board of trustees.

Cash, which is temporarily idle during the year, is invested in bank deposits; money market funds; repurchase agreements; and/or the Iowa Public Agency Investment Trust. These temporary cash deposits were maintained in stable value investments with an average rate of return of 0.35%.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

The city invests reserve funds (those not intended to be expended within 365 days) in a portfolio with the assistance of an investment advisement firm. The investment portfolio includes mortgage-backed securities; preferred stock; obligations of the U.S. Treasury or its agencies; and, cash held in a public entity money market fund. At fiscal year end, the effective duration of the portfolio is 2.9 years with a current yield of 2.15%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; therefore, it is not always possible to realize changes in fair value, especially in the case of temporary changes for securities the city intends to hold until maturity.

Additional information on the City of Indianola's cash management can be found in notes to the financial statements.

Risk management: The City of Indianola participates in the Iowa Communities Assurance Pool (ICAP), a local government risk-sharing pool with over 500 members throughout Iowa. The city makes annual contributions to ICAP recorded as disbursements from its operating funds for vehicle, property, casualty and liability coverage. The city maintains reserve funds to meet deductibles. The city also participates as a member of the Iowa Municipal Workers' Compensation Association (IMWCA) and pays the associate premiums from its operating funds. The city purchases boiler and machinery insurance from a private carrier. In addition, the city has an ongoing safety program to maintain a safe environment for employees and the public. Additional information on the City of Indianola's risk management activity can be found in notes to the financial statements.

Pension and other post-employment benefits: The City of Indianola provides pension benefits for its employees. With the exception of Police officers, these benefits are provided through a statewide plan managed by the Iowa Public Employees Retirement System (IPERS). Benefits for police officers are provided through a statewide plan managed by the Municipal Fire & Police Retirement System of Iowa (MFPRSI). The city makes periodic payments based on earned compensation by active employees; however, the city has no obligation in connection with employee benefits offered through these plans.

The City of Indianola also provides post-retirement access to its medical insurance plan until age 65 as required under Iowa Code. Retirees contribute an amount equal to the premium amount charged to the city on a monthly basis.

The City of Indianola maintains a health reimbursement arrangement (HRA) for the benefit of employees. The city makes a fixed annual contribution that allows each employee to be reimbursed for any medical expense allowed under IRS Code. If the employee does not utilize the full amount provided in any fiscal year, the balance is carried forward for use in a future period, even after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$206,331 as of June 30, 2013.

Additional information on the City of Indianola's pension arrangements and other post-employment benefits can be found in notes to the financial statements.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

Closing

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As allowed under Iowa Code and administrative rules, the City of Indianola issues its financial statements on the basis of cash receipts and disbursements. Cash basis is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Pursuant to these requirements, I hereby issue the comprehensive annual financial report of the City of Indianola for the fiscal year ended June 30, 2014.

Christopher DesPlanques, CPA
Director of Finance and Administrative Services

**CITY OF INDIANOLA
CITY OFFICIALS AND BOARD OF TRUSTEES
JUNE 30, 2014**

<u>Name of Official</u>	<u>Official Title</u>	<u>Term Expires December 31</u>	<u>Amount Of Bond</u>
Kelly Shaw	Mayor	2017	300,000
John Parker Jr.	Councilperson First Ward	2015	300,000
Eric Mathieu	Councilperson Third Ward	2015	300,000
Greg Marchant	Councilperson At-Large	2015	300,000
Pam Pepper	Councilperson At-Large	2017	300,000
Greta Southall	Councilperson Fourth Ward	2017	300,000
Brad Ross	Councilperson Second Ward	2017	300,000
Eric Hanson	City Manager		300,000
Christopher Des Planques	Director of Finance & Community Services		300,000
RoxAnne Hunerdosse	Human Resource Director		300,000
Diana Bowlin	City Clerk		300,000
Doug Shull	City Treasurer		300,000
Ryan Ellis	City Solicitor		300,000

Indianola Municipal Utilities Board of Trustees
Authority: Indianola Code of Ordinances Section 25.02

<u>Name</u>		<u>Term Expires January 2</u>	<u>Amount Of Bond</u>
Eric VanderLinden	Chairperson	2015	300000
Deb White		2016	300,000
Pat Reding		2018	300,000
Grant Johnson		2019	300,000
Heather Hulen		2020	300,000
Todd Kielkopf	General Manager of Utilities		300,000

All other city employees are bonded under the Cincinnati Insurance Employee Loss Coverage, "Faithful Performance Blanket Position Bond," # B0359727 in the amount of \$300,000.

	Council Committee
<u>Council Study Committee</u>	Greg Marchant
	Eric Mathieu
	John Parker Jr.
	Pam Pepper
	Brad Ross
	Greta Southall

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2014**

LIBRARY BOARD

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
Jim Lee	July 1, 2014
Pat Hicks	July 1, 2014
Dick Kerr	July 1, 2016
Kathy Farris	July 1, 2016
Mark Jufferbruch	July 1, 2016
Mary Jane Cassady	July 1, 2018
Rhonda Sayler	July 1, 2018

PARK AND RECREATION COMMISSION

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Laura Beals	January 1, 2015
Cyd Dyer	January 1, 2015
Jennifer Leech	January 1, 2016
Roger Netsch	January 1, 2016
Jon Hagener	January 1, 2017
John Anderson	January 1, 2017

PLANNING AND ZONING COMMISSION

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

Doug Opie	February 1, 2015
Cindy Johnson	February 1, 2015
Mary Donaghy	February 1, 2016
Rich Piper	February 1, 2016
Tiffany Coleman	February 1, 2017
Josh Rabe	February 1, 2017
Bob Ormsby	February 1, 2018
Joe Butler	February 1, 2018
Al Farris	February 1, 2019
Misty Soldwisch	February 1, 2019

**CITY OF INDIANOLA
CITY BOARDS AND COMMISSIONS
JUNE 30, 2014**

BOARD OF ADJUSTMENT

Authority: Indianola Ordinance No. 341 - Code of Iowa 414.7

Term - 5 Years

Meeting: 1st Wednesday of month on call

<u>Name</u>	<u>Term Expires</u>
Marty Miller	December 31, 2014
James Sullivan	December 31, 2015
Dennis Parker	December 31, 2016
Reed Thacker	December 31, 2017
Aaron Rasko	December 31, 2018

MEMORIAL BUILDING COMMISSION

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Ray Walton	July 1, 2014
Dan Aldridge	July 1, 2015
Rick Branson	July 1, 2016
Darwin Brown	July 1, 2016
Bob Greener	July 1, 2016

CIVIL SERVICE COMMISSION

Authority: Indianola Ordinance No. 378

Term - 4 Years

Meeting: On Call

Wayne Petersen	First Monday in April, 2015
John Monroe	First Monday in April, 2016
Celeste Gebhart	First Monday in April, 2018

FINE ARTS & COMMUNITY BEAUTIFICATION COMMISSION

Authority: Indianola Ordinance No. 423

Term - 3 Years

Meeting: 1st Tuesday of every month

CITY OF INDIANOLA

Operational Review

City operations are divided into many departments and offices, all of which work toward the common goal of providing superior services to the citizens of Indianola. While the functions of each department may be varied, it is a cooperative effort on everyone's part that enables us to reach this goal. It's not uncommon to see two or more departments working together to solve some problem or complete a project. The Mayor, Council, boards and administrative staff encourage teamwork and it results in an enhanced quality of life for the citizens of Indianola.

The following summary provides a brief review of the various Departmental operations during the 2013-14 fiscal year.

Public Safety: The major Public Safety activities are police, fire, ambulance services and building and zoning regulation.

- **Police:** The Indianola Police Department is currently at its full strength contingent of nineteen sworn and six civilian employees. During a majority of 2014, the department operated with less than the full complement of officers while the calls for service increased 38%, from 7,399 in 2013 to 10,234 in 2014. The department emphasized increasing our visibility and traffic safety in 2014 and saw traffic citations and warnings increase 86%, from 1338 to 2498.

The department operates five fully marked squad cars and three unmarked vehicles. A new fully marked SUV was placed in service in 2014 bearing the new black and white color scheme. New in-car computers replaced the outdated computers in each of the marked squad cars. The department also finished equipping each marked squad car with a portable AED for use in cardiac emergencies.

The Iowa Law Enforcement Academy establishes a minimum number of hours of training required of each law enforcement officer in the state. The department exceeded the minimum, and the department collectively received 942 hours of training. The department started a rifle program in 2014 and added a second firearms instructor.

Community outreach is very important to the department. The department's charity, IPDCOP, provided thanksgiving meals and Christmas meals to community families in need, took children Christmas shopping, provided breakfast to local veterans, and took a group of children on a fishing outing during 2014.

- **Fire and Ambulance:** The Indianola Fire Department experienced a slight increase in calls for 2014 for a new record year. There were four major fire losses listed in order of loss; 307 S B St was our only fire fatality with \$5000 loss, 15205 Fairfax St with \$190,000 loss, 6793 168th Ave with \$120,000 loss and 18929 Hwy 92 with \$40,000 loss. The total dollar loss for the year was \$411,200; this dollar loss was a 30% decrease verses 2013. In addition to the regular activities that the full and part-time staff accomplished each day, staff responded to 2,053 fire and EMS incidents. This is an increase of 9% over the previous year. The 2,053 alarms consisted of: 88 fires; 27 Haz-Mat; 44 good intent; 104 false alarms; 6 weather-related and 2 other. The balance accounts for 1,782 EMS calls which is where all of the 9% increase was seen as there was a slight decrease in fire responses for the year.

CITY OF INDIANOLA Operational Review (Continued)

As of January 1, 2015, the department had one full-time chief, one full-time training officer, six full-time firefighters/medics, 1 full-time billing specialist, 19 part-time firefighter/medics, 26 paid on call for a total staff of 54 with no members on leave. Staff coverage continues with full-time staff working 24/48 shifts and part-time staff covering 7-days a week from 8:00 a.m. to 5:00 p.m.

Training is a big part of the department's time. Training is conducted every Monday night and several attend training on their own including nights and weekends. Some attend area fire schools and EMS conferences to keep their certifications current. The total hours that POC staff give for training held within our department was 3,633 hours and responses were 9116 hours for a total of 9,116 hours. This equates to the average paid on call staff giving over 202 hours toward regular training and calls each year. These calculations exclude the time the full-time staff puts towards calls and training.

Public Works: The street department staff members are dedicated to providing excellent service to the citizens of Indianola. The street department has kept busy by performing annual street repair, concrete and asphalt replacement/repair, crack sealing, street sweeping, and snow plowing. These are the major functions which occupy a substantial amount of time for the department. In addition, several storm sewer intakes were replaced or repaired along with maintaining the hundreds of street and traffic signs throughout the city.

Culture and Recreation: Culture and Recreation: Parks and Recreation programs, events, parks and facilities continued to be very important to the majority of Indianola residents. Participation and use were at high levels and many opportunities and enhancements were provided to help keep the quality of life at a high level.

We had another great year offering many new program opportunities and completing several improvements to the city parks. All that we are able to accomplish is largely due to the support and assistance we get from the Indianola citizens, volunteers, businesses, organizations, Indianola Community Schools, City Council, IMU, city departments and the parks and recreation commission.

New and strengthened cooperative partnerships and volunteer involvement allowed us to add or expand new programs and facilities including a Butterfly Flourish Sculpture and Drinking Fountain at Buxton Park. Over 30 free community events were offered including 2 Story Walks and "The Zone" – a free after school program for youth in 6th-8th grades. With the help of our partners, grants, sponsorships, advertising and grants totaled over \$61,000 to offset the costs of facilities and programs.

Thanks to community involvement, we had 528 volunteers donate 4,728 hours, 5,706 program registrations, 1,736 games played on the Pickard Softball Fields and served over 2,000 different families.

- **Veterans Memorial Aquatic Center:** The facility served over 23,000 visitors. Over 500 youth were served by the swim lesson program. The season was unusually mild during the months of July and August, contributing to an attendance and revenue decline. Much work was done on the pool gutter system and deck concrete repairs, showing a substantial reduction in chemical and utility costs. The lily pad play area was upgraded with five new pads. Overall operations were efficient and effective, especially ensuring facility safety. Forty seasonal staff assisted in operation of the facility, as well as assistance from the Parks Department, IMU, City Clerk's office, and IT Services.

CITY OF INDIANOLA
Operational Review (Continued)

The following table details the park system:

	<u>Acres</u>
Barker Park	1.20
Buxton Park	5.43
Dayton Park	1.08
DeNelsky Park	22.9
Downey Memorial Park	10.62
Easton Park	2.39
Indianola Activity Center	9.60
McCord Park	16.85
McVay Trail	13.30
Memorial Park	13.72
Moats Park	4.14
Pickard Park	160.00
South Park	4.47
Veterans Memorial Pool	3.50
Willow Creek Totlot	0.65
	<u>269.85</u>

- **Indianola Public Library:** Library patrons checked out 133,174 items which equals 9.0 items checked out by each resident. Attendance at 436 programs totaled 10,492. Library computers were used 14,686 times. Each item in the Library's collection was checked out an average of 2.25 times.

In addition to ebooks and eaudio, library patrons can now download songs with a valid library card. Patrons also have access to a variety of online resources from car repair manuals to reference topics.

- **Business-type or proprietary:** Indianola has four services that are classified as business-type services. Although the utility operations are divided into departments, they all work toward the common goal of providing superior services to the citizens of Indianola. The electric, water, and telecommunication departments are a discretely reported component unit. However, given their degree of importance to the overall services received by citizens, this operational review contains information pertaining to these activities in the next section of this report. The following summary provides a brief review of the various departmental operations during the 2013-14 fiscal year.
- **Water Pollution Control Department:** Full staff includes the Superintendent, 6 operators and a part-time office manager. We are no longer under Consent Order from the Iowa Department of Natural Resources. This Consent Order was lifted in May of 2014.

Construction was completed on Phase IV (final phase) in March of 2014. All punch list items were completed and final pay has been processed.

Residential I&I inspections and testing are being completed only by request.

CITY OF INDIANOLA Operational Review (Continued)

The treatment plant issues this year are going to be the lack of CBOD into the plant. We have found that we are about 50% lower in the influent CBOD. This creates issue with the treatment process. We will be working on identifying the reduction in CBOD. We will also need to have a plan to provide a good nitrogen source for the plant if this cannot be identified.

HR Green assisted the city in completing a site plan and several Waste Water Treatment Plant including: facility rehab projects on the RAS station, the south final clarifier equipment and general building maintenance.

There are several rehabilitation projects that are underway at the WPC plant. They are designed to remedy some capacity issues and extend the life of the current plant until a new plant can be constructed. The WPC department and HR Green have also completed the collection system Hydraulic Study.

HR Green will be proposing a contract to design a new facility plan. This will determine the future of Wastewater Treatment Plant for the City of Indianola.

- **Electric Utility.** The electric utility provides reliable service by purchasing wholesale energy for the community as a whole, receiving it over the transmission system, generating electricity within Indianola as needed, and distributing it safely to customers. Significant progress toward implementing operational strategies include:
 - Continued wreck-out of the East Side Conversion Project; negotiated final terms and conditions towards accepting the project as-is with IMU to complete restoration work
 - Finished plans & specifications for the I-35 Transmission Relocation Project; purchased materials
 - Added to authorized amounts of participation (using existing bond proceeds) in the CAPX2020 project to reflect lower-than-budgeted construction costs
 - Proactively hired one new lineman position, which resulted in shifting of positions among several IMU crew members
 - Continued termination work on the Hwy 65/69 Conversion Project
 - Adopted plans to start replacing streetlights on The Square (in the fall of 2014)
 - Monitored construction of the I-35 Transmission Relocation project
 - Worked to complete plans and revised drafts for the W Hwy 92 Transmission Relocation project
- **Water Utility.** The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:
 - Completed construction on the Ann Parkway Water Main project
 - Finalized the A.T&T. (New Cingular) cellular tower lease contract to be located at the Simpson Water Tower
 - Transferred 210 N. First to the City of Indianola in exchange for \$100,000 over 5 years
 - Accepted a contract for the aerator replacement project (fall 2014 construction)
 - Updated Fluoride notices with an FAQ and other pertinent information

CITY OF INDIANOLA
Operational Review (Continued)

- **Water Utility (continued)**
 - Completed repairs to Well #11
 - Well #9 developed casing issues; scheduled initial repairs
 - Let the 2014 W IA Ave. Water Main replacement project
- **Communications Utility.** The communications utility provides the infrastructure that transmits affordable, competitive, and technologically advanced telecommunications service for both retail and other public uses. Telephone and Internet services are offered to commercial customers through a contractual private/public partnership. Significant progress towards implementing operational strategies include:
 - Continued to connect new residential & commercial customers and address operational issues with MCG
 - Worked to initiate service at the Indianola YMCA after competitors were not able/willing to serve the new facility
 - Worked with MCG staff on new marketing efforts & implemented connections at multi-family dwellings transitioning from free internet service (as part of rent) to MCG service
 - Revised expansion priorities; now planning for W Hwy 92, then N. Howard area, then proceed with fill-in projects
- **Administration.** All three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements, and third-party contractors.

Public works activities primarily involve co-managing the public right of way. IMU also supports economic development and community betterment activities. Third, there are utility-specific services such as technical activities, safety, and utility programming. Last are the governance and professional services associated with oversight, regulatory actions, general management, human resources, fiduciary controls, public notifications and information systems, and legal compliance & risk management.

Public Works:

- Continued removing IMU poles; indication from both Century Link & Mediacom that they will soon start on priority areas
- Repainted street lights along north Hwy 65/69 (from Hillcrest south) where corrosion was visible
- Mediacom bored conduit in priority areas; cable is still aerial, however
- Finalized plans to replace streetlights on The Square (fall 2014)

Economic Development & Community Betterment:

- Planning meetings held regarding potential on-campus and outreach EMERGE programs
- Classes held to help new small business owners
- Meetings held with Simpson College regarding their upcoming strategic planning and developing EMERGE@Simpson College stands as a priority program

CITY OF INDIANOLA
Operational Review (Continued)

Economic Development & Community Betterment (continued):

- Meetings held with the IDA & Warren County to review both the proposed EMERGE hub (software platform), 28E building proposal, and local programs\
- Reports made by the IDA on progress over the past 2 years
- Continued EMERGE Hub planning with design team; continued EMERGE@Simpson College planning with Simpson leadership & IDA staff
- Continued EMERGE Hub planning with design team
- EMERGE@Simpson College direction set for 2014 & 2015
- Drafted IMU Partners scope of services with the IDA for FY 2015

Technical Services & Programs

- IMU Network Services summary edited & published in the founding issue of innovationIOWA
- Held the annual Customer Appreciation Luncheon in the IMU line shop
- Finished drafting bylaws to form the IMU Partners Agency (sent on for legal review)
- Set up Internet video channel; held planning meetings regarding video options
- Renewed the GIS Agreement with Warren Co. & City of Indianola
- Began using LinkedIn to update customers on IMU activities
- Expanded Key Account personal visits with larger customers
- Began investigation of the factors that determine the viability of a community-owned solar array
- Continued planning for the W. Hwy 92 relocation projects
- Revised IAMU Apprenticeship expectations/program adoption
- Held first meeting of IMU Partners, adopted policies, and discussed potential FY 2015 activities.
- Worked with MCG on new marketing plans (implementing the summer/fall of 2014)
- IMU staff more proactively meeting with WCEDC & Chamber of Commerce staff and attending their events
- Started participating as a member of the design team on an IAMU community solar (proposed to US Dept. of Energy, local match by the IA Energy Center) grant project
- Planned for a community sustainability planning forum
- The State of Iowa adopted the 2012 National Electric Safety Code, which is referenced in IMU safety & service plan documents

Governance and Professional Services:

- Adopted the 2013-15 Strategic Plan and reviewed associated Capital Improvement Plan components
- Updated & adopted new Employee Handbook, Mgmt. Personnel Policy Manual, and misc. policy manual
- Held first "General Manager Year-End" event and selected Jason Henle as the first IMU Employee of the Year
- Developed a hiring plan to begin training new linemen in anticipation of pending retirements over the next 3-5 years

CITY OF INDIANOLA

Operational Review (Continued)

Governance and Professional Services (continued):

- General Manager Todd Kielkopf was named Chair of the MEAN Risk Management Committee and elected Secretary/Treasurer of the MEAN Board of Directors
- Adopted FY 2015 budget within the context of ratios needed to retain an “A” rating
- Reviewed insurance deductibles/coverage options
- Technical Services Director Mike Metcalf was selected to serve on the IAMU Electrical Safety & Training Committee
- Completed union negotiations resulting in a 2-year agreement
- IMU awarded Platinum-level RP3 status by APPA
- Adopted a policy pertaining to imposing a Cost of Power Adjustment for bills issued starting July 1, 2014
- Monitored EPA pronouncements pertaining to new rules on carbon reduction targets for existing power plants
- Held joint meeting with the Mayor/City Council
- Issued RFP for Banking Services; awarded to City State Bank (summer 2014 transition)

General Government: The City of Indianola supports a proactive stance toward economic development, enhancing the local economy, and promoting efficiency. Major programs and events are:

- Continuation of a citywide residential urban revitalization (tax abatement) program that began in February 1998 has encouraged development and continues to strengthen the tax base.
- An aggressive schedule of improvements to infrastructure and facilities including sewer main extensions along highway corridors.
- Purchase and sale of real estate for redevelopment under the Dangerous & Dilapidated building program.
- Promotion and financing of the Downtown Business Incentive program to enhance the aesthetics of the area.
- Removal of storm water from entering the sanitary sewer system (I&I program). The entire community will benefit through decreased operation and maintenance expenses, decreased capital expenses, and increased sewer plant capacity.
- Completed 60,000 plus square feet recreational/wellness facility with 2 pools, a walking track, exercise rooms, racquetball courts and a gymnasium.

City staff takes a proactive role in communicating community events with staff and citizens. The Government Access Channel, established in January 1995, provides agendas, schedules, public safety and promotional information for government sponsored programs. Meetings are broadcast live to cable subscribers and re-broadcast throughout the week. The City of Indianola also regularly invests resources to enhance communications through its web sites which includes programming information, links to other community resources, and minutes of meetings. Utility payments, recreation program fees, parking tickets and certain other fees can be paid online.

CITY OF INDIANOLA
Operational Review (Continued)

Departments have learned to utilize electronic information systems to improve services. Each building is connected by a high-speed data network over fiber optic lines. Internet access and e-mail systems are also shared. In addition, the City Clerk's Office has improved its document imaging system to improve the retrieval of information and eventually additional features.

The following table summarizes the activities of the Clerk's Office (calendar year):

Permits/Licenses	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Water	80	90	11	38	35	21	33
Plumbing	106	62	75	42	62	59	31
Electric	113	60	93	103	99	88	36
Mechanical	104	62	42	56	97	53	14
Sewer	95	61	19	66	39	20	27
Warrants Written	8,865	8,883	8,921	9,257	9,237	9,304	9,852
Ordinance Adopted	19	22	24	23	26	16	22
Cigarette	18	18	20	17	17	16	15
Bicycle	5	5	2	2	2	2	7
Beer	15	15	15	15	16	16	16
Beer-Liquor	15	15	15	15	17	18	18
Sunday Beer & Liquor	29	29	29	29	29	28	29
Beer-Wine	3	3	3	3	3	3	3

Internal Service: The City of Indianola maintains a fund for employees' health insurance with premiums paid from each departmental fund. Premiums are targets at 75% of maximum cost exposure. Reserves are targeted at 25% of annual claims plus 2 times the difference between expected claims and maximum costs.

CITY OF INDIANOLA
Statistical Section

To compliment the financial review of the City of Indianola, the following statistical tables are attached. Below you will find a list of tables with some explanatory information:

Government-Wide Expenditures. These are the cash-based expenditures for the past 10 fiscal years. Capital projects are expensed in the function in which they occur, not solely in capital projects funds.

Governmental Revenues by Source. These are the sources of revenue for the non-proprietary activities of the City of Indianola.

Tax Revenues by Source. These are the sources of tax revenue for the City of Indianola.

Tax Collection Trend. This table shows how effective Warren County collects the property taxes levied for the City of Indianola.

Separate & Consolidated Rates. This table lists the property tax rates of the taxing authorities that govern the citizens within the City of Indianola. Agricultural land within cities is taxed at a different rate than other types of property.

100% Valuations. These are the approximate market values of the different types of property within the City of Indianola. The Operating Levy Total and Debt Levy Total do not contain Agricultural property values, since these values are taxed at a different rate. The Debt Capacity Total does contain the Agricultural property value.

Taxable Valuations. These are the property values that are subject to the property tax levies.

Debt Margin. Iowa Code limits cities' General Obligation debt to 5% of the total valuation of property. This table shows the amount of debt outstanding subject to this limitation and the capacity of the City of Indianola to assume more debt.

Building permits. This table shows the trend of new construction in the City of Indianola, the number of new housing units, and the amount of commercial or industrial construction.

Demographics. This is an attempt to show the growth of the community, its level of prosperity, and economic conditions over various historical periods.

CITY OF INDIANOLA
Statistical Section (Continued)

History of Government-Wide Expenditures

Fiscal Year	Public Safety	Public Works	Health & Social Services	Culture & Recreation	Community Economic Development	General Government (Adm.)	Debt Service	Capital Projects	(Business- type) Enterprises	Total
2004	2,575,157	1,236,314	-	1,681,481	109,684	838,593	1,412,173	194,328	12,433,507	20,481,237
2005	3,064,420	1,159,047	-	1,661,909	90,030	931,371	1,538,643	1,790,458	12,716,343	22,952,221
2006	3,098,730	1,338,627	-	1,937,224	65,386	972,894	1,623,792	958,781	16,858,260	26,853,694
2007	3,085,938	1,256,816	-	1,943,116	617,772	965,144	1,974,772	3,035,031	13,936,478	26,815,067
2008	3,173,199	1,348,228	-	1,904,951	83,781	995,408	1,956,788	966,952	13,123,248	23,552,555
2009	3,269,051	1,282,170	-	2,316,774	104,155	1,037,373	2,219,139	1,678,814	13,608,628	25,516,104
2010	3,356,420	1,151,365	-	1,970,347	146,617	1,144,193	2,276,338	2,713,018	15,766,541	28,524,839
2011	3,534,467	1,177,500	-	1,978,160	123,554	1,187,419	5,553,409	1,904,709	22,949,882	38,409,100
2012	3,893,610	1,320,362		2,097,728	1,295,997	1,292,181	3,368,178	2,778,035	24,171,255	40,217,346
2013	3,902,002	1,416,552	-	2,130,514	704,168	1,411,552	2,622,940	16,012,963	18,646,956	46,847,647
2014	4,267,845	1,341,786	-	2,092,304	430,585	1,509,360	3,000,167	2,860,272	20,645,747	36,148,066

Notes:

Transfers not included as expenditures.

CITY OF INDIANOLA
Statistical Section (Continued)

Governmental Revenues by Source

Fiscal Year	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines	Use of Money & Property	Special Assessment	Misc.*	Total
2004	3,880,373	209,890	1,540,566	720,225	78,004	160,430	101,884	1,002,420	7,693,792
2005	4,269,106	194,540	2,082,365	765,904	100,226	161,169	310,620	940,741	8,824,671
2006	4,549,048	163,875	1,366,839	897,130	115,328	163,875	148,054	1,226,974	8,631,123
2007	4,832,068	198,689	2,255,915	867,211	110,906	362,480	284,420	1,465,204	10,376,893
2008	5,152,853	187,498	1,813,521	1,033,928	92,912	320,015	331,949	1,495,550	10,428,226
2009	5,488,299	66,923	1,648,354	1,117,293	81,114	339,169	161,882	270,351	9,173,385
2010	5,657,732	96,392	2,337,365	888,562	67,589	366,428	197,299	351,202	9,962,569
2011	5,839,564	197,339	1,825,570	980,350	77,951	318,802	92,034	545,225	9,876,835
2012	6,229,085	144,940	1,651,642	987,982	81,150	298,088	139,226	334,909	9,867,022
2013	6,738,674	117,693	2,060,498	993,286	57,955	326,083	144,055	295,066	10,733,310
2014	7,150,122	164,364	1,692,398	1,024,228	54,590	335,498	109,522	1,926,196	12,456,918

*Excludes self-insurance pool (classified as business-type internal service fund beginning in 2003), proceeds from fixed asset sales, and issuance of debt. Includes only transfers in for utility payment in lieu of taxes and administrative office cost allocations from utilities.

Tax Revenues By Source

Fiscal Year	Property	Franchise TIF	Fees	Hotel/Motel	Total
2004	3,657,046	104,611	55,079	63,637	3,880,373
2005	3,953,157	188,396	55,505	72,048	4,269,106
2006	4,193,386	242,399	54,120	59,143	4,549,048
2007	4,302,701	414,117	54,605	60,645	4,832,068
2008	4,380,621	652,572	57,417	62,243	5,152,853
2009	4,739,284	632,566	58,208	58,241	5,488,299
2010	4,826,350	712,476	61,406	57,500	5,657,732
2011	4,836,322	865,761	81,666	55,815	5,839,564
2012	4,929,376	1,146,801	85,196	67,712	6,229,085
2013	5,163,954	1,368,810	144,189	61,721	6,738,674
2014	5,472,196	1,383,060	225,916	68,950	7,150,122

CITY OF INDIANOLA
Statistical Section (Continued)

Tax Collection Trend

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
2004	3,664,800	3,657,046	99.8%
2005	3,921,085	3,953,157	100.8%
2006	4,186,938	4,193,386	100.2%
2007	4,322,757	4,302,701	99.5%
2008	4,348,256	4,380,621	100.7%
2009	4,717,671	4,739,284	100.5%
2010	4,786,023	4,826,350	100.8%
2011	4,788,677	4,836,322	101.0%
2012	4,916,871	4,929,376	100.3%
2013	5,147,991	5,163,954	100.3%
2014	5,339,600	5,472,196	102.5%

* includes delinquent taxes, if any.

CITY OF INDIANOLA
Statistical Section (Continued)

Property Tax Rates
Separate and Consolidated
Levy Rate per \$1,000 Taxable Valuation

	City of Indianola				County			School District				
Fiscal Year	Operating	Benefits & Ins.	Debt Service	Total	Operating	Other	Total	Operating	Debt Service	Total	Other	Total
2004	8.10	1.35	2.20	11.65	4.92	0.32	5.24	15.25	3.55	18.80	1.00	36.69
2005	8.10	1.38	2.17	11.65	5.66	0.36	6.02	15.02	3.38	18.40	1.06	37.13
2006	8.10	1.70	2.10	11.90	5.69	0.34	6.03	15.53	2.87	18.40	1.11	37.44
2007	8.10	1.75	2.10	11.95	6.08	0.35	6.43	16.19	2.70	18.89	1.14	38.41
2008	8.10	1.75	2.00	11.85	6.45	0.34	6.79	16.56	3.63	20.19	1.05	39.88
2009	8.10	1.55	2.00	11.65	6.11	0.30	6.41	16.81	3.24	20.05	1.05	39.16
2010	8.10	1.35	1.90	11.35	3.50	2.64	6.14	15.25	4.74	19.99	0.95	38.43
2011	8.10	1.30	1.90	11.30	3.50	2.48	5.98	16.22	4.67	20.89	0.95	39.12
2012	8.10	1.25	1.85	11.20	3.50	2.28	5.78	16.04	4.85	20.89	0.99	38.86
2013	8.10	1.15	1.95	11.20	3.50	2.22	5.72	15.57	2.09	17.66	1.07	35.65
2014	8.10	2.60	2.00	12.70	3.50	2.22	5.72	15.09	4.05	19.14	1.03	38.59

Ag Land

2004	3.00
2005	3.00
2006	3.00
2007	3.00
2008	3.00
2009	3.00
2010	3.00
2011	3.00
2012	3.00
2013	3.00
2014	3.00
2013	3.00

CITY OF INDIANOLA
Statistical Section (Continued)

100% Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Valuation
2004	395,938,322	1,534,675	100,904,039	5,109,575	-	5,508,783	508,995,394	1,476,970	507,518,424
2005	445,274,397	1,035,300	114,196,095	5,004,142	-	5,063,217	570,573,151	1,464,932	569,108,219
2006	461,811,540	1,044,700	123,584,680	9,514,780	-	5,266,201	601,221,901	1,415,928	599,805,973
2007	491,599,280	1,117,600	130,585,000	13,051,885	-	5,609,331	641,963,096	1,439,904	640,523,192
2008	518,949,280	1,195,800	132,933,300	13,084,925	-	5,197,890	671,361,195	1,433,422	669,927,773
2009	600,967,220	1,344,000	141,538,420	14,231,700	-	5,354,152	763,435,492	1,499,194	761,936,298
2010	617,326,560	1,342,200	142,844,860	15,142,160		5,369,669	782,025,449	1,476,970	780,548,479
2011	610,354,360	1,874,500	143,432,485	15,163,880		5,582,297	776,407,522	1,493,638	774,913,884
2012	625,085,080	1,839,975	145,851,590	15,799,955		5,777,351	794,353,951	1,486,230	792,867,721
2013	646,903,900	4,447,700	156,223,760	15,475,490		2,389,713	825,440,563	1,451,042	823,989,521
2014	655,164,820	3,081,278	162,035,585	15,666,500		4,104,432	840,052,615	1,426,040	838,626,575

*includes gas & electric valuations at rates levied by the State of Iowa

CITY OF INDIANOLA
Statistical Section (Continued)

Taxable Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Taxable Valuation
2004	203,460,846	1,534,675	100,904,039	5,109,575	-	5,508,783	316,517,918	1,476,970	315,040,948
2005	215,594,811	1,035,300	113,325,316	5,004,142	-	5,009,405	339,968,974	1,464,932	338,504,042
2006	221,243,341	1,044,700	120,608,343	4,641,582	-	5,065,357	352,603,323	1,415,928	351,187,395
2007	224,958,069	1,117,600	122,612,610	7,773,332	-	5,211,239	361,672,850	1,439,904	360,232,946
2008	255,353,906	1,195,800	120,608,343	4,641,582	-	5,354,152	387,153,783	1,499,194	385,654,589
2009	262,021,987	1,207,178	127,874,259	10,422,723	-	4,780,591	406,306,738	1,499,194	404,807,544
2010	278,482,876	1,258,303	127,591,097	10,578,951	-	4,818,592	422,729,819	1,476,970	421,252,849
2011	282,264,068	1,196,187	128,329,005	7,442,455		4,559,534	423,791,249	1,493,638	422,297,611
2012	297,423,424	1,222,266	127,240,836	4,649,639		4,812,221	435,348,386	1,486,230	433,862,156
2013	317,835,762	1,148,540	127,934,078	2,613,568		4,861,537	454,393,485	1,469,562	452,923,923
2014	365,146,253	1,200,820	145,832,027	14,103,850		4,104,432	530,387,382	1,426,040	528,961,342

*includes gas & electric valuations at rates levied by the State of Iowa

**military

	Operating Levy Total	TIF District Valuation	Debt Levy Total	100% Valuation Total	Ratio of Taxable to 100%
2004	313,506,273	3,349,917	316,856,190	507,518,424	62.4%
2005	337,468,742	7,369,169	344,837,911	569,108,219	60.6%
2006	350,142,695	8,110,407	358,253,102	599,805,973	59.7%
2007	359,115,346	13,303,403	372,418,749	640,523,192	58.1%
2008	384,458,789	20,144,573	404,603,362	669,927,773	60.4%
2009	403,600,366	19,978,653	423,579,019	761,936,298	55.6%
2010	419,994,546	22,769,004	442,763,550	780,548,479	56.7%
2011	421,101,424	26,874,547	447,975,971	774,913,884	57.8%
2012	432,639,890	35,690,858	468,330,748	792,867,721	59.1%
2013	451,775,383	42,652,063	494,427,446	823,989,521	60.0%
2014	527,760,522	52,745,764	580,506,286	838,626,575	69.2%

CITY OF INDIANOLA
Statistical Section (Continued)

Computation of Legal Debt Margin

Fiscal Year	5% of Debt Capacity Valuation	Less: Outstanding G.O. Debt	Legal Debt Margin	Debt Capacity Used
2004	25,449,770	8,331,000	17,118,770	32.7%
2005	28,528,658	8,940,000	19,588,658	31.3%
2006	30,061,095	13,018,000	17,043,095	43.3%
2007	32,098,155	11,248,000	20,850,155	35.0%
2008	33,568,060	11,318,165	22,249,895	33.7%
2009	38,171,775	9,440,000	28,731,775	24.7%
2010	39,101,272	11,268,384	27,832,888	28.8%
2011	38,820,376	13,362,456	25,457,920	34.4%
2012	39,717,698	21,823,249	17,894,449	54.9%
2013	41,272,028	25,255,000	16,017,028	61.2%
2014	42,002,631	24,190,000	17,812,631	57.6%

CITY OF INDIANOLA
Statistical Section (Continued)

Building Permit Trends

Construction			Construction			Total		Construction		Total
Value of new			Value of			New	Total	Value of		Residential
Calendar	Single Family	No. of	Multi-Family	No. of	No. of	Residential	No. of	Alterations &	No. of	Construction
Year	Dwellings	Permits	Dwellings	Permits	Units	Construction	Units	Additions	Permits	Value
2002	10,832,832	77	1,954,846	7	18	12,787,678	95	958,460	105	13,746,138
2003	10,622,051	66	2,345,779	5	11	12,967,830	77	1,582,908	93	14,550,738
2004	13,307,271	77	7,025,148	12	36	20,332,419	113	985,626	78	21,318,045
2005	10,029,458	70	1,956,509	7	14	11,985,967	84	826,263	82	12,812,230
2006	12,603,520	71	5,847,400	12	27	18,450,920	98	539,100	66	18,990,020
2007	10,568,484	63	2,687,887	9	19	13,256,371	82	743,942	63	14,000,313
2008	3,617,146	22	8,355,796	34	68	11,972,942	90	670,221	59	12,643,163
2009	3,676,598	23	4,417,800	1	62	8,094,398	85	278,426	35	8,372,824
2010	5,022,118	35	8,144,766	44	84	13,166,884	119	1,459,209	45	14,626,093
2011	3,362,600	21	223,000	1	2	3,585,600	23	540,643	46	4,126,243
2012	2,035,200	14	6,251,000	4	45	8,286,200	59	262,201	42	8,548,401
2013	8,052,802	47	6245150	13	62	14,297,952	60	262,850	40	14,560,802
Construction			Construction			Total				
Value of			Value of			Construction	Total			
Commercial/			Non-taxable			Value of		No. of		
Industrial			Construction			Construction		Permits		
Permits			Permits							
2004	6,908,368	23	6,090,500	2		34,316,913	192			
2005	3,876,148	31	1,325,200	1		18,013,578	191			
2006	4,788,835	37	2,293,717	2		26,072,572	188			
2007	11,405,065	9	14,262,433	2		34,729,175	193			
2008	3,764,616	22	71,000	2		16,718,743	157			
2009	4,399,823	21	1,616,980	6		12,975,239	101			
2010	5,439,383	9	4,025,121	9		20,273,820	179			
2011	40,613,859	39	30,565,682	9		44,897,710	136			
2012	19,690,301	29	18,436,157	14		28,522,468	115			
2013	10,846,316	18	4,857,530	1		25,488,473	140			
2011	40,613,859	9	30,565,682	9		44,897,710	136			
2012	19,690,301	29	18,436,157	14		28,522,468	115			
2013	10,648,316	17	5,055,530	2		25,488,473	140			

CITY OF INDIANOLA
Statistical Section (Continued)

Demographic Information

Trends:	<u>Calendar Year</u>	<u>Iowa Unemployment</u>
	2002	3.7%
	2003	4.2%
	2004	4.5%
	2005	4.5%
	2006	3.9%
	2007	3.6%
	2008	3.8%
	2009	5.6%
	2010	6.2%
	2011	6.0%
	2012	5.1%
	2013	4.6%
	2014	

History:	<u>Calendar Year</u>	<u>Population</u>	<u>10 year % increase</u>	<u>Median Family Income</u>
	1930	3,488		
	1940	4,100	17.5%	
	1950	5,145	25.5%	
	1960	7,062	37.3%	
	1970	8,976	27.1%	
Special	1975	9,611		
	1980	10,843	20.8%	
	1990	11,340	4.6%	\$ 34,684
Special	1995	12,339		
	2000	12,998	14.6%	\$ 52,235
Annexation	2004	13,044		
Special	2005	14,156	14.7%	
	2010	14,782	13.7%	\$ 52,238



Shull and Co. P.C.

certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Indianola as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than the generally accepted accounting principles of the United States of America. Our opinion is not modified with respect to this matter.

Supplementary and Other Information

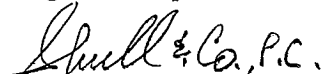
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indianola's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards of the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 27 through 33 and 61 through 63 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report dated January 15, 2015 on our consideration of the City of Indianola's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Indianola's internal control over financial reporting and compliance.

Shull & Co., P.C.

January 15, 2015

CITY OF INDIANOLA

Management Discussion and Analysis (MD&A)

The City of Indianola offers readers of the City of Indianola's financial statements this narrative overview and analysis of the financial activities of the City of Indianola for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report.

2014 Financial Highlights

- The City of Indianola has an ending cash balance of \$19,249,654 to meet the government's ongoing obligations to citizens and creditors. Of this, \$10,563,820 is under the direct management and control of the primary government with \$7,416,193 for governmental activities and \$3,147,627 for business-type activities. The remaining \$8,685,834 is from the component unit, Indianola Municipal Utilities.
- Total cash balances decreased \$370,682 for the primary government and increased \$1,215,398 for the component unit. The primary reason for the decrease is capital expenditures and Highway 92 projects for the Utility that were paid for out of fund balances.

Using this Annual Report

The annual report consists of a series of financial statements and other requirements as follows:

Management Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending (fund balance). Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Reporting the City's Financial Activities

Basis of accounting: The City of Indianola maintains its financial records on the basis of cash receipts and disbursements and the financial statements presented in this report are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items.

Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-wide Financial Statement: The Combined Statement of Cash Transactions presents information on all of the City of Indianola's cash balances. Over time, increases or decreases in balances may serve as a useful indicator of whether the financial position of the City of Indianola is improving or deteriorating. This statement details how cash balances changed during the most recent fiscal year.

This statement distinguishes functions of the City of Indianola that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, charges for service, state and federal allocations and grants, and special assessments finance most of these activities.

Business type activities of the City include both internal service funds and sanitary sewer system funds.

The component unit of the City of Indianola is the combined transactions of the electric, water, and telecommunications utilities. Separate financial statements are issued for these activities under the report of Indianola Municipal Utilities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about individual, significant funds—not the City as a whole. Some funds are required to be established in Iowa Code and by bond covenants. The City of Indianola has established other funds to help it control and manage financial resources for particular purposes. The city has two types of funds:

1. Governmental funds account for most of the City of Indianola's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) Special Revenue Funds, 3) the Debt Service Fund, and 4) Capital Projects Funds. The Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more, or less, financial resources available.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

2. Business type funds account for the City of Indianola's Enterprise Funds and Internal Services Funds. As shown on the "Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds" Enterprise Funds are maintained for the sanitary sewer funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among various functions. The City of Indianola uses Internal Service Funds to account for employee group health & short-term disability insurance and property & liability deductibles.

Financial Analysis

The following condensed financial information serves as summarized financial data and indicators for management, monitoring, and planning.

Net assets: The table below shows restricted and unrestricted net assets on a cash basis. These net assets exclude those of the component unit, which are under the management and control of a board of trustees.

Net Assets (Cash Basis)

	Year ended June 30,		
	2014	2013	Change
Governmental Activities			
Restricted	2,910,811	2,519,785	391,026
Unrestricted	5,512,213	6,537,931	(1,025,718)
Total	8,423,024	9,057,716	(634,692)
Business Type Activities			
Restricted	75,073	72,057	3,016
Unrestricted	1,674,201	1,406,486	267,715
Total	1,749,274	1,478,543	270,731
Total Primary Government			
Restricted	2,985,884	2,591,842	394,042
Unrestricted	7,186,414	7,944,417	(758,003)
Total	10,172,298	10,536,259	(363,961)
Component Unit			
Restricted	1,513,615	1,602,022	(88,407)
Unrestricted	7,563,740	8,697,452	(1,133,712)
Total	9,077,355	10,299,474	(1,222,119)

Sources and uses of funds: The following table summarizes how the operations of the city were financed and the programs in which they were expended.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Changes in Net Assets Governmental Funds

	Year ended June 30,					
	2014		2013		Change	
Receipts						
Property tax	\$ 5,472,196	44%	5,163,954	48%	308,242	6%
Tax increment financing collections	1,383,060	11%	1,368,810	13%	14,250	1%
Other city tax	294,866	2%	205,910	2%	88,956	43%
Licenses and permits	164,364	1%	117,693	1%	46,671	40%
Use of money and property	335,498	3%	326,083	3%	9,415	3%
Intergovernmental	1,692,398	14%	2,060,498	19%	(368,100)	-18%
Charges for service	1,024,228	8%	993,286	9%	30,942	3%
Special assessments	109,522	1%	144,055	1%	(34,533)	-24%
Miscellaneous	1,980,786	16%	353,021	3%	1,627,765	461%
Total Receipts	12,456,918	100%	10,733,310	100%	1,723,608	16%
Disbursements						
Public safety	4,257,526	28%	3,902,002	14%	355,524	9%
Public works	1,336,452	9%	1,416,552	5%	(80,100)	-6%
Culture and recreation	2,085,707	13%	2,130,514	8%	(44,807)	-2%
Community and economic development	430,585	3%	704,168	2%	(273,583)	-39%
General government	1,505,152	10%	1,411,552	5%	93,600	7%
Debt service	3,000,167	19%	2,622,940	9%	377,227	14%
Capital projects	2,860,272	18%	16,012,963	57%	(13,152,691)	-82%
Total disbursements	15,475,861	100%	28,200,691	100%	(12,724,830)	-45%
Other financing sources (uses)						
Bond proceeds	11,560		7,387,429			
Sale of capital assets	248,501		236,361			
Operating transfers in (out)	2,150,621		2,033,246			
Total other financing sources (uses)	2,410,682		9,657,036			
Net change in cash balances	(608,261)		(7,810,345)			
Cash balances, beginning of year	8,024,453		15,834,798			
Cash balances, end of year	\$ 7,416,192		8,024,453			

Property tax revenues increased due to taxable valuation growth and an increase of the tax rate to \$12.70 per \$1,000 of taxable valuation in FY14. The majority of the remaining revenues held relatively stable in comparison to total receipts.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Debt Service had the largest increase in spending for FY14. Public safety and General Government Operations disbursements increased, while public works, culture & recreation and capital projects decreased.

Governmental funds: Governmental funds ended the fiscal year with a balance of \$8,423,024 a decrease of \$608,261 over the prior year. This is mainly due to use of fund balances for capital improvements.

Business type funds: Business type funds ended the fiscal year with \$1,970,791 in cash basis fund balances, an increase of \$426,404 over the prior year.

Budgetary Highlights

In accordance with Iowa Code, the city council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. None of the amendments made, if any, negatively affect the following year's budget.

The FY 2014 budget was amended in May of 2014 to reflect the following items:

- Revenues:
 - Additional charges for services
- Expenditures:
 - Public Safety-the purchase of a new ambulance
 - Public Work-expenses related to snow control and overtime
 - Capital Improvement-Highway65/69 construction

Capital Asset and Debt Administration

In FY 2014, the City issued no General Obligation Bonds.

Factors Affecting Financial Condition

Local economy: The City of Indianola currently has a stable economic environment and local indicators point to slight growth. Although a primarily residential community, the varied nature of the educational, light manufacturing, agriculture services, and retail sectors of the local economy provides employment stability. Close proximity to the Des Moines metro area, the state capital with a combined population of approximately 460,000, provides employment for approximately 60% of Indianola's available workforce. Over the past 5 years single-family dwellings have been constructed at an average rate of 21 units.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

The region (which includes the City of Indianola and the surrounding unincorporated area within Warren County) has a relatively stable employment outlook over the next several years. New commercial construction is occurring along the four-lane highway between the City of Indianola and the Des Moines metropolitan area. New utility services to recently annexed areas along its highway corridors have been installed to open new ground for development in these areas where commercial or industrial growth has started.

A four-lane bypass to the south of the Des Moines metro, completed in 2002, provides increased commercial development opportunities for the community as it improved traffic flow from Indianola to the western Des Moines suburbs and the interstate highway system. The city makes annual financial commitments to the Warren County Economic Development Corporation and Greater Des Moines Partnership to support economic development in the region. The component unit also offers its own revolving loan program to spur economic development.

Long-term financial planning: The city has adopted a Comprehensive Plan, last updated in 2013 to help determine future infrastructure needs. City authorities annually adopt 5-year capital improvement budgets that prioritize foreseen projects. Those with potential long-term significant impacts to the financial operations of the city are:

- The city is proceeding with the Infiltration and Inflow Program. The main objective of the program is to reduce storm water from entering the sanitary sewer system. The total program consists of four project phases at a cost of over \$12.5 million. The program is being funded with a low interest State Revolving Fund loan and is being paid back with sewer service fees. Work on Phases 1 and 3 were complete in FY12 and Phases 2 and 4 were completed in FY14.
- The city continues to support the Community Redevelopment (D&D) fund to improve the aesthetics of the community especially on the main highway corridors. This fund is being maintained using TIF from the Downtown district.

Regulatory changes: It is expected that the State of Iowa will enact new regulations on sewer treatment quality that could take effect within 5 years. Plant upgrades and gravity line improvements, which will reduce infiltration and inflow of storm water, will help the City of Indianola meet these regulations. The city is currently reviewing a potential upgrade or rehabilitation to the sewer plant to extend its service life until work on a new system can be completed.

Other regulatory impacts under consideration by the State of Iowa also include increased monitoring and controlling storm water pollution levels.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

The City Council makes a concerted effort to maintain effective services while keeping tax rates affordable, especially in light of current economic conditions. Indianola continues to have growth in population, retail sales, and commercial construction, which is above the norm for the state as a whole. The city property tax rate for FY 2014 increased from \$11.20 in FY13 to \$12.70 per \$1,000 in taxable valuation. The City Council has adjusted sewer rates to pay the debt service for sewer capital projects and to cover increased operational costs.

Requests for Information

This financial report is designed to provide a general overview of the City of Indianola's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 110 N. First St., PO Box 299, Indianola, IA 50125. City Hall's telephone number is 515-961-9410.

BASIC FINANCIAL STATEMENTS

CITY OF INDIANOLA
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2014

Functions / Programs	Disbursements	Program	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Primary Government:			
Governmental activities:			
Public safety	\$ 4,267,845	893,877	147,164
Public works	1,341,786	132,218	1,476,797
Culture and recreation	2,092,304	395,752	245,988
Community and economic development	430,585	4,500	35,480
General government	1,509,360	84,467	29,286
Debt service	3,000,167	-	10,842
Capital projects	<u>2,860,272</u>	<u>5,352</u>	<u>-</u>
Total governmental activities	<u>15,502,319</u>	<u>1,516,166</u>	<u>1,945,557</u>
Business type activities:			
Sewer	3,535,328	3,128,848	73,753
Other nonmajor	<u>182,478</u>	<u>413,761</u>	<u>-</u>
Total business type activities	<u>3,717,806</u>	<u>3,542,609</u>	<u>73,753</u>
Total Primary Government	<u>\$ 19,220,125</u>	<u>5,058,775</u>	<u>2,019,310</u>
Component Unit:			
Municipal Utilities	<u>\$ 16,927,941</u>	<u>16,379,940</u>	<u>116,647</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Employee benefits			
Tax increment financing			
Utility tax replacement excise tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond, note and loan proceeds			
Rent			
Sale of assets			
Transfers			
Total general receipts and transfers			

Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Primary Government			Component Unit
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Municipal Utilities
-	(3,226,804)	-	(3,226,804)	-
-	267,229	-	267,229	-
-	(1,450,564)	-	(1,450,564)	-
-	(390,605)	-	(390,605)	-
-	(1,395,607)	-	(1,395,607)	-
-	(2,989,325)	-	(2,989,325)	-
<u>1,561,868</u>	<u>(1,293,052)</u>	<u>-</u>	<u>(1,293,052)</u>	<u>-</u>
<u>1,561,868</u>	<u>(10,478,728)</u>	<u>-</u>	<u>(10,478,728)</u>	<u>-</u>
-	-	(332,727)	(332,727)	-
-	-	231,283	231,283	-
-	-	(101,444)	(101,444)	-
<u>1,561,868</u>	<u>(10,478,728)</u>	<u>(101,444)</u>	<u>(10,580,172)</u>	<u>-</u>
<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(356,354)</u>
	3,807,610	-	3,807,610	-
	1,116,628	-	1,116,628	-
	547,958	-	547,958	-
	1,383,060	-	1,383,060	-
	225,915	-	225,915	38,412
	68,951	-	68,951	-
	139,254	12,755	152,009	134,644
	11,560	1,364,303	1,375,863	-
	143,978	42,917	186,895	44,000
	248,501	-	248,501	20,000
	<u>2,150,621</u>	<u>(1,047,800)</u>	<u>1,102,821</u>	<u>(1,102,821)</u>
	<u>9,844,036</u>	<u>372,175</u>	<u>10,216,211</u>	<u>(865,765)</u>

CITY OF INDIANOLA
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2014

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets

Urban renewal purposes

Debt service

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Exhibit A
(Continued)

Net (Disbursements) Receipts and Changes in Cash Basis Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Municipal Utilities</u>
(634,692)	270,731	(363,961)	(1,222,119)
<u>9,057,716</u>	<u>1,103,209</u>	<u>10,160,925</u>	<u>9,834,088</u>
<u>\$ 8,423,024</u>	<u>1,373,940</u>	<u>9,796,964</u>	<u>8,611,969</u>
825,611	-	825,611	-
415,651	-	415,651	-
1,511,363	75,073	1,586,436	1,513,615
158,186	-	158,186	-
<u>5,512,213</u>	<u>1,674,201</u>	<u>7,186,414</u>	<u>7,563,740</u>
<u>\$ 8,423,024</u>	<u>1,749,274</u>	<u>10,172,298</u>	<u>9,077,355</u>

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2014

	General	Special Revenue Road Use Tax
Receipts		
Property tax	\$ 3,799,495	-
Tax increment financing	-	-
Other city tax	294,866	-
Licenses and permits	164,364	-
Use of money and property	332,290	-
Intergovernmental	216,360	1,476,038
Charges for service	1,024,228	-
Special assessments	-	-
Miscellaneous	402,113	5,963
Total receipts	<u>6,233,716</u>	<u>1,482,001</u>
Disbursements		
Operating		
Public safety	4,257,504	-
Public works	172,466	1,163,986
Culture and recreation	2,085,707	-
Community and economic development	138,870	-
General government	1,479,878	-
Debt service	80,370	-
Capital projects	-	-
Total disbursements	<u>8,214,795</u>	<u>1,163,986</u>
Excess of receipts over disbursements	<u>(1,981,079)</u>	<u>318,015</u>
Other financing sources (uses)		
Bond proceeds, net of premiums/discounts	-	-
Sale of capital assets	248,501	-
Operating transfers in (out)	<u>1,878,069</u>	<u>(175,500)</u>
Total other financing sources (uses)	<u>2,126,570</u>	<u>(175,500)</u>

Debt Service	Capital Projects		Nonmajor	Total
	General Capital Projects	Street Construction		
998,084	126,659	-	547,958	5,472,196
-	-	-	1,383,060	1,383,060
-	-	-	-	294,866
-	-	-	-	164,364
-	-	-	3,208	335,498
-	-	-	-	1,692,398
-	-	-	-	1,024,228
104,170	-	5,352	-	109,522
10,842	1,551,757	10,111	-	1,980,786
<u>1,113,096</u>	<u>1,678,416</u>	<u>15,463</u>	<u>1,934,226</u>	<u>12,456,918</u>
-	-	-	22	4,257,526
-	-	-	-	1,336,452
-	-	-	-	2,085,707
-	-	-	291,715	430,585
-	-	-	25,274	1,505,152
2,919,797	-	-	-	3,000,167
-	2,036,040	599,746	224,486	2,860,272
<u>2,919,797</u>	<u>2,036,040</u>	<u>599,746</u>	<u>541,497</u>	<u>15,475,861</u>
<u>(1,806,701)</u>	<u>(357,624)</u>	<u>(584,283)</u>	<u>1,392,729</u>	<u>(3,018,943)</u>
11,560	-	-	-	11,560
-	-	-	-	248,501
1,595,871	7,033	-	(1,154,852)	2,150,621
<u>1,607,431</u>	<u>7,033</u>	<u>-</u>	<u>(1,154,852)</u>	<u>2,410,682</u>

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2014

	General	Special Revenue Use Tax
Net change in cash balances	145,491	142,515
Cash balances beginning of year	<u>2,706,396</u>	<u>683,096</u>
Cash balances end of year	<u>\$ 2,851,887</u>	<u>825,611</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	825,611
Urban renewal purposes	-	-
Debt service	-	-
Other purposes	-	-
Committed	-	-
Unassigned	<u>2,851,887</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,851,887</u>	<u>825,611</u>

See notes to financial statements.

Exhibit B
(Continued)

Debt Service	Capital Projects		Nonmajor	Total
	General Capital Projects	Street Construction		
(199,270)	(350,591)	(584,283)	237,877	(608,261)
<u>1,710,633</u>	<u>932,391</u>	<u>1,649,609</u>	<u>342,328</u>	<u>8,024,453</u>
<u>1,511,363</u>	<u>581,800</u>	<u>1,065,326</u>	<u>580,205</u>	<u>7,416,192</u>
-	-	-	-	825,611
-	-	-	415,651	415,651
1,511,363	-	-	-	1,511,363
-	-	-	158,186	158,186
-	581,800	1,065,326	6,368	1,653,494
-	-	-	-	2,851,887
<u>1,511,363</u>	<u>581,800</u>	<u>1,065,326</u>	<u>580,205</u>	<u>7,416,192</u>

CITY OF INDIANOLA

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the Year Ended June 30, 2014

Total government funds cash balances	\$	7,416,192
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*Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position 1,006,832

Cash basis net position of governmental activities	\$	<u>8,423,024</u>
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Change in cash balances	\$	(608,261)
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*Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position. (26,431)

Change in cash basis net position of governmental activities	\$	<u>(634,692)</u>
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See notes to financial statements.

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds As of and for the Year Ended June 30, 2014

	Sewer	Enterprise Funds Nonmajor
Operating receipts		
Charges for service	\$ 3,093,429	413,762
Miscellaneous	254	-
Total operating receipts	<u>3,093,683</u>	<u>413,762</u>
Operating disbursements		
Governmental activities		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	1,149,671	182,478
Component Unit:		
Municipal Utilities	-	-
Total operating disbursements	<u>1,149,671</u>	<u>182,478</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,944,012</u>	<u>231,284</u>
Non-operating receipts (disbursements)		
Interest on investments	12,748	-
Intergovernmental	-	-
Special assessments	35,165	-
Miscellaneous	116,669	-
Capital loan note proceeds	1,364,303	-
Debt Service	(677,862)	-
Capital projects	(1,704,219)	-
Net non-operating receipts (disbursements)	<u>(853,196)</u>	<u>-</u>
Excess of receipts over disbursements	1,090,816	231,284
Operating transfers in (out)	<u>(968,800)</u>	<u>(79,000)</u>
Net change in cash balances	122,016	152,284
Cash balances beginning of year	1,149,577	197,405
Cash balances end of year	<u>\$ 1,271,593</u>	<u>349,689</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 75,073	-
Unrestricted	1,196,520	349,689
Total cash basis fund balances	<u>\$ 1,271,593</u>	<u>349,689</u>

See notes to financial statements.

<u>Total</u>	<u>Internal Service Funds</u>
3,507,191	1,310,815
254	279,127
<u>3,507,445</u>	<u>1,589,942</u>
-	524,718
-	138,068
-	239,644
-	199,355
1,332,149	133,855
-	391,057
<u>1,332,149</u>	<u>1,626,697</u>
<u>2,175,296</u>	<u>(36,755)</u>
12,748	34
-	-
35,165	-
116,669	-
1,364,303	-
(677,862)	-
<u>(1,704,219)</u>	<u>-</u>
<u>(853,196)</u>	<u>34</u>
1,322,100	(36,721)
<u>(1,047,800)</u>	<u>-</u>
274,300	(36,721)
<u>1,346,982</u>	<u>1,563,067</u>
<u>1,621,282</u>	<u>1,526,346</u>

CITY OF INDIANOLA

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds
As of and for the Year Ended June 30, 2014

Total enterprise funds cash balances	\$	1,621,282
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*Amounts reported for business type activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

		127,992
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Cash basis net position of business type activities	\$	1,749,274
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Change in cash balances	\$	274,300
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*Amounts reported for business type activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

		(3,569)
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Change in cash basis net position of business type activities	\$	270,731
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See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Indianola is a political subdivision of the State of Iowa located in Warren County. It was incorporated in 1864 and operates under the home rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services.

A. REPORTING ENTITY

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Indianola (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit - The financial information for the Indianola Municipal Utilities is presented as a Component Unit to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utilities are governed by a five-member board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: South Central Iowa Landfill Agency Board, Central Iowa Regional Transportation Planning Alliance Board, Metropolitan Planning Organization Committee, Marion/Warren County Drug Task Force, Community Athletic Facilities Board.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. BASIS OF PRESENTATION

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued) –

The Special Revenue - Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The City of Indianola maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles of the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items.

Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. GOVERNMENTAL CASH BASIS FUND BALANCES

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted as amended.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED Year Ended June 30, 2014

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2014 were as follows:

	CARRYING AMOUNT	MARKET VALUE
Money market accounts	\$ 1,925,152	1,925,152
Certificates of Deposit	504,500	504,500
U.S. government obligations	260,205	260,225
U.S. agency mortgage pass-through	846,578	917,683
U.S. agency bonds and notes	9,977,376	10,027,095
U.S. agency collateralized mortgage obligations	2,651,414	2,714,881
U.S. agency asset backed securities	1,001,191	1,031,996
Corporate Bonds	251,787	253,317
	<u>\$17,418,203</u>	<u>17,634,849</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$111,106 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investments are held by a bank's trust department in the City's name. Investments with a carrying amount of \$10,540,638 are rated AA+. The balance of the investments are not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

3. **BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for the City's general obligation bonds and notes, capital loan notes, revenue capital loan notes, and other long-term debt as of June 30, 2014 are as follows:

YEAR	GENERAL OBLIGATION		CAPITAL		REVENUE CAPITAL		TOTAL	
ENDING	BONDS & NOTES		LOAN NOTES		LOAN NOTES		TOTAL	
June 30,	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2015	\$ 2,345,000	449,282	210,000	14,320	403,000	264,875	2,958,000	728,477
2016	2,515,000	417,611	210,000	10,540	386,000	255,317	3,111,000	683,468
2017	2,365,000	372,763	220,000	6,760	396,000	245,900	2,981,000	625,423
2018	2,310,000	332,936	75,000	2,437	407,000	236,219	2,792,000	571,592
2019	2,075,000	289,694	-	-	417,000	226,260	2,492,000	515,954
2020	2,120,000	253,444	-	-	429,000	216,037	2,549,000	469,481
2021	1,560,000	206,340	-	-	441,000	205,505	2,001,000	411,845
2022	1,465,000	179,733	-	-	453,000	194,662	1,918,000	374,395
2023	1,495,000	153,400	-	-	464,000	183,509	1,959,000	336,909
2024	1,250,000	124,552	-	-	477,000	172,065	1,727,000	296,617
2025	975,000	97,718	-	-	491,000	160,279	1,466,000	257,997
2026	745,000	76,102	-	-	504,000	148,137	1,249,000	224,239
2027	770,000	59,135	-	-	517,000	135,655	1,287,000	194,790
2028	785,000	40,735	-	-	531,000	122,832	1,316,000	163,567
2029	390,000	21,580	-	-	512,884	109,639	902,884	131,219
2030	150,000	9,925	-	-	333,000	96,639	483,000	106,564
2031	160,000	5,200	-	-	344,000	86,649	504,000	91,849
2032	-	-	-	-	355,000	76,329	355,000	76,329
2033	-	-	-	-	366,000	65,679	366,000	65,679
2034	-	-	-	-	378,000	54,699	378,000	54,699
2035	-	-	-	-	391,000	43,359	391,000	43,359
2036	-	-	-	-	403,000	31,629	403,000	31,629
2037	-	-	-	-	417,000	19,539	417,000	19,539
2038	-	-	-	-	430,000	7,029	430,000	7,029
2039	-	-	-	-	277,881	8,336	277,881	8,336
	<u>\$ 23,475,000</u>	<u>3,090,150</u>	<u>715,000</u>	<u>34,057</u>	<u>10,523,765</u>	<u>3,366,778</u>	<u>34,713,765</u>	<u>6,490,985</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2014

3. **BONDS AND NOTES PAYABLE (CONTINUED)**

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$383,000 of Sewer Revenue Capital Loan Notes, Series 1995, issued in June 1995. Proceeds from the notes provided financing for improvements and extensions to the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2015.

Annual principal and interest payments on the notes are expected to require less than 2% of net receipts. The total principal and interest remaining to be paid on the notes is \$28,420. For the current year, principal and interest paid and total customer net receipts were \$28,245 and \$1,944,012, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$9,090,000 of Sewer Revenue Capital Loan Notes, Series 2009, issued in May 2009. Proceeds from the notes provided financing for the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2041. Annual principal and interest payments on the notes are expected to require less than 26% of net receipts. The total principal and interest remaining to be paid on the notes is \$10,544,674. For the current year, principal and interest paid and total customer net receipts were \$419,759 and \$1,944,012, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,036,000 of Sewer Revenue Capital Loan Notes, Series 2013, issued in April 2013. Proceeds from the notes provided financing for the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 15% of net receipts. The total principal and interest remaining to be paid on the notes is \$3,314,448. For the current year, principal and interest paid and total customer net receipts were \$209,751 and \$1,944,012, respectively.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

3. **BONDS AND NOTES PAYABLE (CONTINUED)**

Revenue Notes (continued)

- c. All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations, to pay for extraordinary repairs or replacements to the water system, or to pay or redeem the notes or parity obligations, and then can be used for any lawful purpose.

General Obligation Bonds and Notes

In December 2011, May 2012 and January 2013 the City issued \$2,410,000, \$4,580,000 and \$5,510,000, respectively, of General Obligation Urban Renewal Bonds. The proceeds from the bonds were used to pay costs of aiding in the planning, undertaking, and carrying out of urban renewal projects, including the construction of a community/wellness center.

In January 2013 the City issued \$1,865,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of equipping the fire and street departments and improvements to City parks.

In July 2013 the City issued \$2,070,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the General Obligation Bonds dated May 2008 and August 2009. The City entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying \$670,000 principal on the refunded general obligation bonds dated May 2008 when they became callable on June 1, 2014 and \$1,335,000 principal on the refunded general obligation bonds dated August when they become callable on June 1, 2015 and the interest from June 1, 2013 to and including June 1, 2015 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The City refunded the bonds to reduce its total debt service payments by approximately \$62,384 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$59,774.

4. **PENSION AND RETIREMENT BENEFITS**

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

4. **PENSION AND RETIREMENT BENEFITS (CONTINUED)**

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (continued)

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, is 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2014, 2013 and 2012 were \$358,196, \$292,449 and \$275,284, respectively, which met the required minimum contribution for each year.

IPERS - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$438,218, \$288,480 and \$254,715, equal to the required contributions for each year.

5. **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 91 active and 1 retired members in the plan. Participants must be 55 or older at retirement. Some Fire/Rescue participants qualify at age 50 with 22 years of service.

The medical/prescription drug benefits are provided through a self-funded plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$510 for single coverage and \$1,260 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$0 and plan members eligible for benefits contributed approximately \$13,680 to the plan.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

6. **COMPENSATED ABSENCES**

City employees accumulate vacation hours and sick leave for subsequent use. Unused vacation hours are payable upon termination, retirement or death. Sick leave hours are payable only when used and not upon separation of service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits as of June 30, 2014, primarily relating to the General Fund, was as follows:

Vacation	\$ 379,897
Sick leave	<u>977,049</u>
	\$ <u>1,356,946</u>

This liability has been computed based on rates of pay as of June 30, 2014.

7. **HEALTH INSURANCE AND HEALTH REIMBURSEMENT ARRANGEMENT**

The City self-funds its health insurance plan as permitted by Iowa Code Section 509A using an internal service fund. Transfers to the fund are made at pre-established rates for single or family coverage by each city department on a monthly basis. Disbursements from the fund are made to pay administrative fees, stop loss insurance premiums and payment of claims. As of June 30, 2014 the actuarially determined reserve necessary for claims incurred but not yet paid was \$182,982 (2013 - \$144,989) and the internal service fund balance was \$1,068,506 (2013 - \$1,123,031).

The City also maintains a health reimbursement arrangement (HRA) for the benefit of employees. The City makes a fixed annual commitment that employees may use to offset premium contributions or cash payments for any medical expense allowed under current income tax provisions. If the employee does not utilize the full amount provided in the fiscal year, the balance is carried forward to the following year and is available in any future period, including after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$230,096 as of June 30, 2014.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 20148. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 169,500
	Employee Benefits Levy	547,958
	Police Retirement	12,500
	Enterprise:	
	Sewer	392,100
	Recycling	16,500
	Component Unit	<u>941,321</u>
		<u>2,079,879</u>
Special Revenue:		
YMCA Maintenance Obligations	General	<u>53,333</u>
Police Seizures	General	<u>15,000</u>
Debt Service	General	113,477
	Special Revenue:	
	Industrial Park Urban Renewal Tax Increment	644,668
	Downtown Tax Increment	31,026
	Enterprise:	
	Sewer	570,700
	Stormwater Utility	62,500
	Component Unit	<u>173,500</u>
		<u>1,595,871</u>
Capital Projects:		
Capital Projects Fund	General	<u>8,333</u>
Community Athletic Facility	General	11,667
	Capital Projects Fund	<u>1,300</u>
		<u>12,967</u>
Component Unit	Special Revenue:	
	Road Use Tax	6,000
	Enterprise:	
	Sewer	<u>6,000</u>
		<u>12,000</u>
		<u>\$ 3,777,383</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2014

8. **INTERFUND TRANSFERS (CONTINUED)**

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9. **RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were \$143,022 (2013 - \$124,449).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are insured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2014

9. **RISK MANAGEMENT (CONTINUED)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation coverage Agreement with the Association which extends through June 30, 2014 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2014, the City paid workers' compensation insurance premiums of \$133,365 (2013 - \$119,824) to the Association.

10. **DOWNTOWN BUSINESS INCENTIVE PROGRAM**

The City offers an incentive program for renovation and repair of existing commercial building structures and facades in certain blocks of the Original Town Plat. Property owners in the program are eligible for grants for a portion of the costs incurred and obtain a loan from a local lender for the balance of the costs. In order to provide the loans to property owners at 0% interest, the City places a non interest bearing deposit with the lender. As property owners pay down the loans, the non interest bearing funds are returned to the City. Through June 30, 2014 grants of \$336,628 and loan deposits of \$349,413 had been made under the program. As of June 30, 2014 remaining non interest bearing deposits totaled \$301,179.

11. **COMMITMENTS**

The City has entered into contracts for street and highway improvements, a waste water collection system rehabilitation project, and other projects totaling approximately \$8,448,000. The remaining commitment on these contracts at June 30, 2014 is \$5,113,234.

OTHER INFORMATION

CITY OF INDIANOLA

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 5,472,196	-
Tax increment financing collections	1,383,060	-
Other city tax	294,866	-
Licenses and permits	164,364	-
Use of money and property	335,498	12,782
Intergovernmental	1,692,398	-
Charges for service	1,024,228	4,818,006
Special assessments	109,522	35,165
Miscellaneous	<u>1,980,786</u>	<u>396,050</u>
Total receipts	<u>12,456,918</u>	<u>5,262,003</u>
Disbursements		
Public safety	4,257,526	524,718
Public works	1,336,452	138,068
Culture and recreation	2,085,707	239,644
Community and economic development	430,585	-
General government	1,505,152	199,355
Debt service	3,000,167	-
Capital projects	2,860,272	-
Business type activities	-	4,239,142
Total disbursements	<u>15,475,861</u>	<u>5,340,927</u>
Excess of receipts over disbursements	(3,018,943)	(78,924)
Other financing sources, net	<u>2,410,682</u>	<u>316,503</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(608,261)	237,579
Balances beginning of year	<u>8,024,453</u>	<u>2,910,049</u>
Balances end of year	<u>\$ 7,416,192</u>	<u>3,147,628</u>

See accompanying independent auditor's report.

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	5,472,196	5,315,731	5,315,731	156,465
-	1,383,060	1,490,400	1,490,400	(107,340)
-	294,866	290,169	290,169	4,697
-	164,364	115,900	115,900	48,464
34	348,246	387,800	407,800	(59,554)
-	1,692,398	2,406,100	2,406,100	(713,702)
1,310,815	4,531,419	4,107,200	4,157,200	374,219
-	144,687	91,200	91,200	53,487
<u>279,127</u>	<u>2,097,709</u>	<u>3,196,100</u>	<u>3,353,100</u>	<u>(1,255,391)</u>
<u>1,589,976</u>	<u>16,128,945</u>	<u>17,400,600</u>	<u>17,627,600</u>	<u>(1,498,655)</u>
524,718	4,257,526	4,308,600	4,530,600	273,074
138,068	1,336,452	1,388,500	1,428,500	92,048
239,644	2,085,707	2,384,400	2,384,400	298,693
-	430,585	458,300	458,300	27,715
199,355	1,505,152	1,390,800	1,567,800	62,648
-	3,000,167	3,060,200	3,060,200	60,033
-	2,860,272	1,203,200	3,203,200	342,928
<u>524,912</u>	<u>3,714,230</u>	<u>11,810,900</u>	<u>11,810,900</u>	<u>8,096,670</u>
<u>1,626,697</u>	<u>19,190,091</u>	<u>26,004,900</u>	<u>28,443,900</u>	<u>9,253,809</u>
(36,721)	(3,061,146)	(8,604,300)	(10,816,300)	7,755,154
<u>-</u>	<u>2,727,185</u>	<u>7,138,100</u>	<u>7,138,100</u>	<u>(4,410,915)</u>
(36,721)	(333,961)	(1,466,200)	(3,678,200)	3,344,239
<u>1,563,067</u>	<u>9,371,435</u>	<u>15,607,513</u>	<u>15,607,513</u>	<u>(6,236,078)</u>
<u>1,526,346</u>	<u>9,037,474</u>	<u>14,141,313</u>	<u>11,929,313</u>	<u>(2,891,839)</u>

CITY OF INDIANOLA

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,439,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

SUPPLEMENTARY INFORMATION

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2014

				Special
	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Downtown Tax Increment	YMCA Maintenance Obligations
Receipts				
Property tax	\$ -	547,958	-	-
Tax increment financing collections	950,534	-	432,526	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>950,534</u>	<u>547,958</u>	<u>432,526</u>	<u>-</u>
Disbursements				
Operating				
Public safety	-	-	-	-
Community and economic development	258,573	-	33,142	-
General government	-	-	-	25,274
Capital projects	-	-	-	-
Total disbursements	<u>258,573</u>	<u>-</u>	<u>33,142</u>	<u>25,274</u>
Excess (deficiency) of receipts over (under) disbursements	<u>691,961</u>	<u>547,958</u>	<u>399,384</u>	<u>(25,274)</u>
Other financing uses				
Sale of capital assets	-	-	-	-
Operating transfers in (out)	<u>(644,668)</u>	<u>(547,958)</u>	<u>(31,026)</u>	<u>53,333</u>
Total other financing sources (uses)	<u>(644,668)</u>	<u>(547,958)</u>	<u>(31,026)</u>	<u>53,333</u>
Net change in cash balances	47,293	-	368,358	28,059
Cash balances beginning of year	-	-	-	-
Cash balances end of year	<u>\$ 47,293</u>	<u>-</u>	<u>368,358</u>	<u>28,059</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ 47,293	-	368,358	-
Other purposes	-	-	-	28,059
Committed	-	-	-	-
Total cash basis fund balances	<u>\$ 47,293</u>	<u>-</u>	<u>368,358</u>	<u>28,059</u>

See accompanying independent auditor's report.

Revenue		Capital Projects		
Police Retirement	Police Seizures	Community Athletic Facility	Community Redevelopment	Total
-	-	-	-	547,958
-	-	-	-	1,383,060
1,593	-	11	1,604	3,208
-	-	-	-	-
<u>1,593</u>	<u>-</u>	<u>11</u>	<u>1,604</u>	<u>1,934,226</u>
-	22	-	-	22
-	-	-	-	291,715
-	-	-	-	25,274
-	-	4,073	220,413	224,486
-	22	4,073	220,413	541,497
<u>1,593</u>	<u>(22)</u>	<u>(4,062)</u>	<u>(218,809)</u>	<u>1,392,729</u>
-	-	-	-	-
<u>(12,500)</u>	<u>15,000</u>	<u>12,967</u>	<u>-</u>	<u>(1,154,852)</u>
<u>(12,500)</u>	<u>15,000</u>	<u>12,967</u>	<u>-</u>	<u>(1,154,852)</u>
(10,907)	14,978	8,905	(218,809)	237,877
122,636	3,420	1,155	215,117	342,328
<u>111,729</u>	<u>18,398</u>	<u>10,060</u>	<u>(3,692)</u>	<u>580,205</u>
-	-	-	-	415,651
111,729	18,398	-	-	158,186
-	-	10,060	(3,692)	6,368
<u>111,729</u>	<u>18,398</u>	<u>10,060</u>	<u>(3,692)</u>	<u>580,205</u>

CITY OF INDIANOLA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2014

	Enterprise			Internal	
	Recycling	Stormwater Utility	Total	Health Insurance Reserve	Property Insurance Council
Operating receipts					
Charges for service	\$ 213,047	200,715	413,762	17,398	-
Miscellaneous	-	-	-	31,557	4,471
Total operating receipts	<u>213,047</u>	<u>200,715</u>	<u>413,762</u>	<u>48,955</u>	<u>4,471</u>
Operating disbursements					
Governmental activities					
Public safety	-	-	-	17,515	3,622
Public works	-	-	-	3,954	2,090
Culture and recreation	-	-	-	7,903	-
General government	-	-	-	6,694	-
Business type activities					
Sewer	-	-	-	3,811	702
Other	180,978	1,500	182,478	-	-
Component Unit:					
Municipal Utilities	-	-	-	13,130	-
Total disbursements	<u>180,978</u>	<u>1,500</u>	<u>182,478</u>	<u>53,007</u>	<u>6,414</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>32,069</u>	<u>199,215</u>	<u>231,284</u>	<u>(4,052)</u>	<u>(1,943)</u>
Non-operating receipts (disbursements)					
Interest on investments	-	-	-	-	34
Capital loan note proceeds	-	-	-	-	-
Capital projects	-	-	-	-	-
Net non-operating receipts (disbur)	-	-	-	-	34
Excess of receipts over disbursements	32,069	199,215	231,284	(4,052)	(1,909)
Operating transfers in (out)	<u>(16,500)</u>	<u>(62,500)</u>	<u>(79,000)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	15,569	136,715	152,284	(4,052)	(1,909)
Cash balances beginning of year	<u>47,546</u>	<u>149,859</u>	<u>197,405</u>	<u>231,930</u>	<u>1,775</u>
Cash balances end of year	<u>\$ 63,115</u>	<u>286,574</u>	<u>349,689</u>	<u>227,878</u>	<u>(134)</u>
Cash Basis Fund Balances					
Unrestricted	<u>63,115</u>	<u>286,574</u>	<u>349,689</u>	<u>227,878</u>	<u>(134)</u>
Total cash basis fund balances	<u>\$ 63,115</u>	<u>286,574</u>	<u>349,689</u>	<u>227,878</u>	<u>(134)</u>

See accompanying independent auditor's report.

Service

Health Pool	Health Reimbursement Arrangement		Total
1,185,792	107,625		1,310,815
243,099	-		279,127
1,428,891	107,625		1,589,942
479,142	24,439		524,718
125,349	6,675		138,068
217,469	14,272		239,644
181,867	10,794		199,355
122,679	6,663		133,855
-	-		-
356,910	21,017		391,057
1,483,416	83,860		1,626,697
(54,525)	23,765		(36,755)
-	-		34
-	-		-
-	-		-
-	-		34
(54,525)	23,765		(36,721)
-	-		-
(54,525)	23,765		(36,721)
1,123,031	206,331		1,563,067
1,068,506	230,096		1,526,346
1,068,506	230,096		1,526,346
1,068,506	230,096		1,526,346
1,068,506	230,096		1,526,346

CITY OF INDIANOLA

Schedule of Indebtedness
Year Ended June 30, 2014

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
2008 Street Improvements & Equipment	5/22/2008	2.20-3.80	1,575,000
2009 Street Improvements & Equipment	8/31/2009	2.00-3.60	2,500,000
2011 General Obligation Refunding	1/13/2011	1.00-2.50	3,915,000
2011 Refunding & Sewer Improvements	1/13/2011	1.00-2.00	1,300,000
2011 General Obligation	10/19/2011	0.55-2.25	850,000
2011 General Obligation Urban Renewal	12/28/2011	1.30-2.95	2,410,000
2012 General Obligation Urban Renewal	5/1/2012	2.00-2.95	4,580,000
2012 General Obligation	5/1/2012	0.50-2.40	3,875,000
2013 General Obligation	1/9/2013	0.50-1.55	1,865,000
2013 General Obligation	1/9/2013	1.25-2.00	5,510,000
2013 General Obligation Refunding	7/13/2013	1.00-1.50	2,070,000
Capital Loan Notes			
1995 Sewer Revenue	6/21/1995	3.00	383,000
2009 Sewer Revenue	5/20/2009	3.00	9,090,000
2009 General Obligation	8/31/2009	1.25-3.25	620,000
2011 General Obligation	12/20/2011	1.30	700,000
2013 Sewer Revenue	4/19/2013	1.75	4,036,000
Total City of Indianola			
Indianola Municipal Utilities			
Revenue Bonds and Notes			
2010 Electric Revenue Capital Loan Notes	6/15/2010	2.00-4.00	9,040,000
2011 Electric Revenue Bonds	12/29/2011	2.00-2.30	1,800,000
2011 Water Revenue Refunding	12/29/2011	0.50-1.30	1,350,000

See accompanying independent auditor's report.

BALANCE BEGINNING OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
\$ 820,000	-	820,000	-	27,865	-
1,815,000	-	235,000	1,580,000	53,930	-
2,485,000	-	895,000	1,590,000	43,488	-
560,000	-	280,000	280,000	9,100	-
740,000	-	55,000	685,000	12,592	-
2,410,000	-	100,000	2,310,000	56,400	-
4,580,000	-	-	4,580,000	101,970	-
3,800,000	-	300,000	3,500,000	59,375	-
1,865,000	-	-	1,865,000	28,419	-
5,255,000	-	240,000	5,015,000	79,340	-
-	2,070,000	-	2,070,000	-	-
<u>24,330,000</u>	<u>2,070,000</u>	<u>2,925,000</u>	<u>23,475,000</u>	<u>472,479</u>	<u>-</u>
55,000	-	27,000	28,000	1,245	-
7,798,881	-	200,000	7,598,881	219,759	-
360,000	-	70,000	290,000	10,370	-
565,000	-	140,000	425,000	7,301	-
<u>1,698,581</u>	<u>1,364,303</u>	<u>166,000</u>	<u>2,896,884</u>	<u>43,751</u>	<u>-</u>
<u>10,477,462</u>	<u>1,364,303</u>	<u>603,000</u>	<u>11,238,765</u>	<u>282,426</u>	<u>-</u>
<u>\$ 34,807,462</u>	<u>3,434,303</u>	<u>3,528,000</u>	<u>34,713,765</u>	<u>754,905</u>	<u>-</u>
\$ 7,360,000	-	870,000	6,490,000	274,125	-
1,640,000	-	170,000	1,470,000	33,575	-
<u>1,085,000</u>	<u>-</u>	<u>270,000</u>	<u>815,000</u>	<u>9,920</u>	<u>-</u>
<u>\$ 10,085,000</u>	<u>-</u>	<u>1,310,000</u>	<u>8,775,000</u>	<u>317,620</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2014

YEAR ENDING JUNE 30,	GENERAL			
	GENERAL OBLIGATION REFUNDING		STREET IMPROVEMENTS & EQUIPMENT	
	ISSUED JULY 17, 2013		ISSUED AUGUST 31, 2009	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
2015	1.00	\$ 170,000	2.50	\$ 245,000
2016	1.00	445,000	2.75	250,000
2017	1.00	450,000	2.95	260,000
2018	1.05	450,000	3.20	265,000
2019	1.30	275,000	3.40	275,000
2020	1.50	280,000	3.60	285,000
2021		-		-
		<u>\$ 2,070,000</u>		<u>\$ 1,580,000</u>

YEAR ENDING JUNE 30,	GENERAL			
	GENERAL OBLIGATION URBAN RENEWAL		GENERAL OBLIGATION URBAN RENEWAL	
	ISSUED DECEMBER 28, 2011		ISSUED MAY 1, 2012	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
2015	1.30	\$ 100,000	2.00	\$ 100,000
2016	1.50	100,000	2.00	380,000
2017	1.50	100,000	2.00	485,000
2018	1.50	100,000	2.00	380,000
2019	1.65	100,000	2.00	390,000
2020	1.90	150,000	2.00	350,000
2021	2.05	150,000	2.00	335,000
2022	2.20	150,000	2.05	345,000
2023	2.30	150,000	2.20	355,000
2024	2.40	150,000	2.35	370,000
2025	2.60	150,000	2.50	195,000
2026	2.75	150,000	2.65	205,000
2027	2.90	150,000	2.75	220,000
2028	3.00	150,000	2.85	230,000
2029	3.05	150,000	2.95	240,000
2030	3.15	150,000		-
2031	3.25	160,000		-
		<u>\$ 2,310,000</u>		<u>\$ 4,580,000</u>

OBLIGATION

GENERAL OBLIGATION REFUNDING		REFUNDING & SEWER IMPROVEMENTS		GENERAL OBLIGATION	
ISSUED JANUARY 13, 2011		ISSUED JANUARY 13, 2011		ISSUED OCTOBER 19, 2011	
INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2.00	\$ 775,000	2.00	\$ 280,000	1.00	\$ 55,000
2.00	535,000	-	-	1.35	55,000
2.00	180,000	-	-	1.35	105,000
2.50	100,000	-	-	1.65	110,000
-	-	-	-	1.90	115,000
-	-	-	-	2.10	120,000
-	-	-	-	2.25	125,000
	<u>\$ 1,590,000</u>		<u>\$ 280,000</u>		<u>\$ 685,000</u>

OBLIGATION

GENERAL OBLIGATION		GENERAL OBLIGATION		GENERAL OBLIGATION		
ISSUED MAY 1, 2012		ISSUED JANUARY 9, 2013		ISSUED JANUARY 9, 2013		
INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	TOTAL
0.70	\$ 305,000		\$ -	1.25	\$ 315,000	\$ 2,345,000
0.90	305,000	0.50	125,000	1.25	320,000	2,515,000
1.10	310,000	0.65	150,000	1.25	325,000	2,365,000
1.30	315,000	0.80	255,000	1.25	335,000	2,310,000
1.50	320,000	0.95	260,000	1.30	340,000	2,075,000
1.70	325,000	1.10	265,000	1.10	345,000	2,120,000
1.90	330,000	1.25	265,000	1.25	355,000	1,560,000
2.10	340,000	1.40	270,000	1.40	360,000	1,465,000
2.20	345,000	1.55	275,000	1.55	370,000	1,495,000
2.30	355,000		-	1.70	375,000	1,250,000
2.40	250,000		-	1.80	380,000	975,000
	-		-	1.90	390,000	745,000
	-		-	2.00	400,000	770,000
	-		-	2.00	405,000	785,000
	-		-		-	390,000
	-		-		-	150,000
	-		-		-	160,000
	<u>\$ 3,500,000</u>		<u>\$ 1,865,000</u>		<u>\$ 5,015,000</u>	<u>\$ 23,475,000</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2014

YEAR ENDING JUNE 30,	CAPITAL					
	SEWER REVENUE		SEWER REVENUE		GENERAL OBLIGATION	
	ISSUED JUNE 21, 1995		ISSUED MAY 20, 2009		ISSUED AUGUST 31, 2009	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2015	3.00	\$ 28,000	3.00	\$ 206,000	2.80	\$ 70,000
2016		-	3.00	213,000	2.80	70,000
2017		-	3.00	220,000	3.25	75,000
2018		-	3.00	227,000	3.25	75,000
2019		-	3.00	234,000		-
2020		-	3.00	242,000		-
2021		-	3.00	250,000		-
2022		-	3.00	258,000		-
2023		-	3.00	266,000		-
2024		-	3.00	275,000		-
2025		-	3.00	284,000		-
2026		-	3.00	293,000		-
2027		-	3.00	302,000		-
2028		-	3.00	312,000		-
2029		-	3.00	322,000		-
2030		-	3.00	333,000		-
2031		-	3.00	344,000		-
2032		-	3.00	355,000		-
2033		-	3.00	366,000		-
2034		-	3.00	378,000		-
2035		-	3.00	391,000		-
2036		-	3.00	403,000		-
2037		-	3.00	417,000		-
2038		-	3.00	430,000		-
2039		-	3.00	277,881		-
		<u>\$ 28,000</u>		<u>\$ 7,598,881</u>		<u>\$ 290,000</u>

See accompanying independent auditor's report.

LOAN NOTES

GENERAL OBLIGATION ISSUED DECEMBER 20, 2011		SEWER REVENUE ISSUED APRIL 19, 2013		
INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	TOTAL
1.30	\$ 140,000	1.75	\$ 169,000	\$ 613,000
1.30	140,000	1.75	173,000	596,000
1.30	145,000	1.75	176,000	616,000
-	-	1.75	180,000	482,000
-	-	1.75	183,000	417,000
-	-	1.75	187,000	429,000
-	-	1.75	191,000	441,000
-	-	1.75	195,000	453,000
-	-	1.75	198,000	464,000
-	-	-	202,000	477,000
-	-	-	207,000	491,000
-	-	-	211,000	504,000
-	-	-	215,000	517,000
-	-	-	219,000	531,000
-	-	-	190,884	512,884
-	-	-	-	333,000
-	-	-	-	344,000
-	-	-	-	355,000
-	-	-	-	366,000
-	-	-	-	378,000
-	-	-	-	391,000
-	-	-	-	403,000
-	-	-	-	417,000
-	-	-	-	430,000
-	-	-	-	277,881
	<u>\$ 425,000</u>		<u>\$ 2,896,884</u>	<u>\$ 11,238,765</u>

CITY OF INDIANOLA

Statement of Receipts By Source and Disbursements By Function - All Governmental Funds For the Last Ten Years

	2014	2013	2012	2011	2010
Receipts					
Property tax	\$ 5,472,196	5,163,954	4,929,375	4,836,322	4,826,350
Tax increment financing collections	1,383,060	1,368,810	1,146,801	865,761	712,476
Other city tax	294,866	205,910	152,908	137,481	118,906
Licenses and permits	164,364	117,693	144,940	197,339	96,392
Use of money and property	335,498	326,083	298,072	318,803	366,427
Intergovernmental	1,692,398	2,060,498	1,651,642	1,825,569	2,337,365
Charges for service	1,024,228	993,286	983,827	982,632	888,563
Special assessments	109,522	144,055	139,226	92,034	197,299
Miscellaneous	1,980,786	353,021	416,059	623,383	418,791
Total	<u>\$ 12,456,918</u>	<u>10,733,310</u>	<u>9,862,850</u>	<u>9,879,324</u>	<u>9,962,569</u>
Disbursements					
Operating					
Public safety	\$ 4,257,526	3,902,002	3,953,821	3,574,355	3,356,421
Public works	1,336,452	1,416,552	1,329,010	1,185,798	1,151,366
Culture and recreation	2,085,707	2,130,514	2,113,184	1,992,708	2,020,345
Community and economic development	430,585	704,168	1,295,997	123,554	96,617
General government	1,505,152	1,411,552	1,303,284	1,196,933	1,144,194
Debt service	3,000,167	2,622,940	3,368,178	5,718,378	2,276,339
Capital projects	2,860,272	16,012,963	2,778,034	1,904,710	2,713,016
Total	<u>\$ 15,475,861</u>	<u>28,200,691</u>	<u>16,141,508</u>	<u>15,696,436</u>	<u>12,758,298</u>

See accompanying independent auditor's report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
4,739,284	4,380,621	4,302,700	4,193,385	3,953,158
632,566	652,571	414,117	242,398	188,396
116,449	119,660	115,249	113,263	127,553
66,923	187,498	198,688	163,875	194,540
339,169	320,015	377,916	198,498	177,341
1,648,354	1,813,522	2,252,514	1,366,839	2,082,365
1,117,293	1,033,928	867,941	897,130	765,904
161,882	331,949	284,420	148,054	310,621
<u>351,465</u>	<u>648,262</u>	<u>620,475</u>	<u>410,502</u>	<u>243,665</u>
<u>9,173,385</u>	<u>9,488,026</u>	<u>9,434,020</u>	<u>7,733,944</u>	<u>8,043,543</u>
3,269,051	3,173,199	3,085,903	3,098,731	3,064,421
1,282,170	1,348,228	1,256,853	1,338,626	1,159,048
2,316,774	1,904,951	1,936,423	1,933,962	1,661,909
104,155	83,781	617,772	65,386	90,030
1,037,373	995,407	965,143	972,894	931,372
2,219,139	1,956,788	2,792,481	1,623,791	1,562,645
<u>1,678,814</u>	<u>966,954</u>	<u>3,041,721</u>	<u>962,040</u>	<u>1,790,459</u>
<u>11,907,476</u>	<u>10,429,308</u>	<u>13,696,296</u>	<u>9,995,430</u>	<u>10,259,884</u>



Shull

and Co. P.C.
certified public accountants

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 15, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Indianola's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Indianola's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Indianola's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies in internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Indianola's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Indianola's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Indianola's Responses to Findings

The City of Indianola's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Indianola's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Indianola during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



January 15, 2015

CITY OF INDIANOLA

Schedule of Findings
Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014, did not exceed budgeted amounts, as amended
- II-B-14 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-14 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-14 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.